

**PUBLIC ROUNDTABLE ON
BILL 16-141, “MAJOR SPORTS EXHIBITION AND
TOURNAMENT ATTRACTION AND ARENA FEE
CLARIFICATION ACT OF 2005”**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**March 16, 2005, 10:00 a.m.
Council Chambers, John A. Wilson Building**



**Testimony of
Daniel L. Black, Jr.
Deputy Chief Financial Officer
Office of Tax and Revenue**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans, and members of the Committee on Finance and Revenue. I am Daniel L. Black, Jr., Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am pleased to present testimony today on Bill 16-141, the “Major Sports Exhibition and Tournament Attraction and Arena Fee Clarification Act of 2005.” OTR would like to take this opportunity to comment on each aspect of the bill.

This bill has two objectives. The first objective is to clarify in one place in the D.C. Official Code the real property tax exemption granted by Council in 1994 and 1995 with respect to the MCI Arena and the underlying land. The second objective of the bill is to exempt from District sales taxes the ticket sales for major sports exhibitions and tournaments, both professional and amateur.

Concerning the real property exemption, OTR acknowledges that the exemption language in the 1994 act needs to be clarified in order to carry out the Council’s intent to exempt the MCI Arena from real property tax. However, the proposed language in the bill will not accomplish the intent of Council. OTR has proffered language to this committee that will effectuate the intent of Council and is consistent with the exclusive developer’s rights agreement signed by the city and the lessee of the MCI Arena in 1995, which was approved by the Council, and the related ground lease granted by the Redevelopment Land Agency in 1995. OTR respectfully recommends that its language be substituted for the real property exemption language that is presently in the bill. I have attached as an appendix to my written testimony a copy of our recommended language.

We believe that the portion of this bill that proposes to exempt tickets to major sports exhibitions and tournaments from District sales tax should not be adopted at this time for several reasons. First, the bill would exempt all major sports exhibitions and tournaments at the MCI Arena contrary to an agreement between the city and the lessee of MCI Arena. In 1995, the lessee expressly agreed in the exclusive developer's rights agreement that ticket sales at the MCI Arena would be taxable. This legislation would, thus, effectively grant more tax breaks than were negotiated in 1995 for the construction and operation of the MCI Arena.

Second, the sales tax exemption, if passed by the Council, would likely have the effect of amending the baseball legislation to prevent the District from collecting a 10 percent sales tax on the sale of tickets for professional baseball exhibitions, including the Washington National exhibition game scheduled for April 4, 2005, at RFK Stadium.

Third, the bill does not provide for a clear definition of what constitutes a major sports exhibition or tournament and, as such, its impact may be wider than the drafter intended. This proposal will be of general applicability throughout the city, and it is not isolated to specific events or events taking place only at the MCI Arena. A sales tax exemption may be desirable to attract certain tournaments that the Council believes merit such favorable tax treatment, but the proposed language of this bill will apply to all sports events including boxing, wrestling, hockey, baseball, basketball, soccer, automobile racing, archery, and marksmanship, to name a few. Not all of these sports tournaments may need a tax subsidy to attract them to the District.

Rather than enacting a broad-based exemption, OTR would ask the Council to consider the alternative approach of awarding any sports sales tax exemption on a case-by-case basis after there has been a clear showing that the benefits to the District outweigh the loss of revenue. Narrow legislation should specifically name the event, where it is to take place, and the actual dates of applicability of the exemption. In 1994, for example, such an exemption was granted for the sales of tickets to the World Cup Soccer Games held in the District and, earlier this year, the Council passed legislation that exempted from sales tax those tickets sales for the Atlantic Coast Conference collegiate basketball tournament held at the MCI Arena.

Fiscal Impact of Bill 16-141

The Office of the Chief Financial Officer has determined the fiscal impact of this proposal to be approximately \$600,000 in District revenues for each sold-out event at a venue such as the MCI Arena (i.e., with seating for 20,000). In light of this potential loss, as well as the reasons I have previously set forth in my testimony, we do not support passage of the sales tax exemption portion of this bill in its present form. We do support passage of the real property exemption portion of this bill.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.

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Appendix

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the Arena Tax Amendment Act of 1994 to clarify the real property tax exemption of the MCI Arena, to provide for a real property tax exemption as intended by the Council, and to provide for a real property tax exemption that is consistent with a certain executed and recorded ground lease.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,

That this act may be cited as the "MCI Arena Real Property Tax Clarification Amendment Act of 2004."

Sec. 2. Section 3 of the Arena Tax Amendment Act of 1994, effective September 28, 1994 (D.C. Law 10-189; 41 DCR 6824), is amended to read as follows:

“(a) That portion of the real property, described as lot 0047 in square 0455, in preparation for occupation and use, under construction for occupation or use, or occupied and used as a multi-purpose arena for the performance of sports and entertainment events and related amenities shall be exempt from real property taxation, possessory interest taxation and business improvement district taxation, notwithstanding §§ 2-1219.07(c) and 6-301.12.

“(b) The exemption provided by this section shall apply so long as the Land Disposition Agreement - Ground Lease, by and between The District of Columbia Redevelopment Land Agency, The District of Columbia and DC Arena, LP, dated as of December 29, 1995 and recorded with the Recorder of Deeds on January 5, 1996 as instrument number 9600001285, remains in effect.”.

Sec. 3. Applicability

The provisions of this act shall apply as of September 28, 1994.

Sec. 4. Fiscal impact statement.

The Council adopts the attached fiscal impact statement as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

Sec. 5. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.